

**Tennessee Bureau of Investigation**

**For the Years Ended  
June 30, 1998, and June 30, 1997**

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July 14, 1999

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. Larry C. Wallace, Director  
Tennessee Bureau of Investigation  
P. O. Box 100940  
Nashville, Tennessee 37210

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Bureau of Investigation for the years ended June 30, 1998, and June 30, 1997.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Bureau's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Tennessee Bureau of Investigation is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no findings.

We have reported other less significant matters involving the department's internal controls to the Bureau's management in a separate letter.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/klm  
99/061

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

**Tennessee Bureau of Investigation**

For the Years Ended June 30, 1998, and June 30, 1997

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## AUDIT SCOPE

We have audited the Tennessee Bureau of Investigation for the period July 1, 1996, through June 30, 1998. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of cellular phones, confidential bank account, payroll and personnel, equipment, deferred revenue, accounts receivable, information systems, compliance with the Financial Integrity Act, and utilization of the Department of Finance and Administration's STARS grant module to record the receipt and expenditure of federal funds. The audit was conducted in accordance with generally accepted government auditing standards.

## AUDIT FINDINGS

The audit report contains no findings.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Audit Report**  
**Tennessee Bureau of Investigation**  
**For the Years Ended June 30, 1998, and June 30, 1997**

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# **Tennessee Bureau of Investigation For the Years Ended June 30, 1998, and June 30, 1997**

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## **INTRODUCTION**

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### **POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of the Tennessee Bureau of Investigation (TBI). The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

### **BACKGROUND**

The mission statement of the Tennessee Bureau of Investigation is “That guilt shall not escape, nor innocence suffer.” In order to fulfill this mission, the Bureau has four major divisions. The major divisions are Criminal Investigation, Forensic Services, Information Systems, and Administrative Services.

The Criminal Investigation Division is responsible for providing professional expertise in the investigation of crimes and criminal activity and for responding to emergencies and unusual events or incidents. The Criminal Investigation Division is organized into four units: the Field Investigation Unit, the Criminal Intelligence Unit, the Workers’ Compensation Fraud Unit, and the Medicaid Fraud Control Unit.

The Forensic Services Division is responsible for maintaining up-to-date forensic laboratories for processing and analyzing biological, chemical, and physical evidence in criminal cases. The Forensic Services Division comprises a central laboratory in Nashville; three regional laboratories in Jackson, Chattanooga, and Knoxville; and a Violent Crime Response Team.

The Information Systems Division consists of the Records and Identification Unit, the Law Enforcement Support Unit, the Application Development and Systems Operations Unit, and the Crime Statistics unit and has the responsibility to oversee crime information functions of TBI and the entire Tennessee criminal justice community. The Tennessee Bureau of Investigation

received National Incident Based Reporting System (NIBRS) certification on June 30, 1998, from the Federal Bureau of Investigation.

The Administrative Services Division is responsible for providing technical and administrative support to all areas of TBI. The Administrative Services Division is divided into the Fiscal Office, Personnel Office, and Internal Audit Office.

In November 1997, the Tennessee Bureau of Investigation received its re-accreditation by the Commission on Accreditation for Law Enforcement Agencies, Inc. TBI is one of five state criminal investigation agencies in the nation to achieve accreditation.

An organization chart of the department is on the following page.

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## **AUDIT SCOPE**

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## **OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS**

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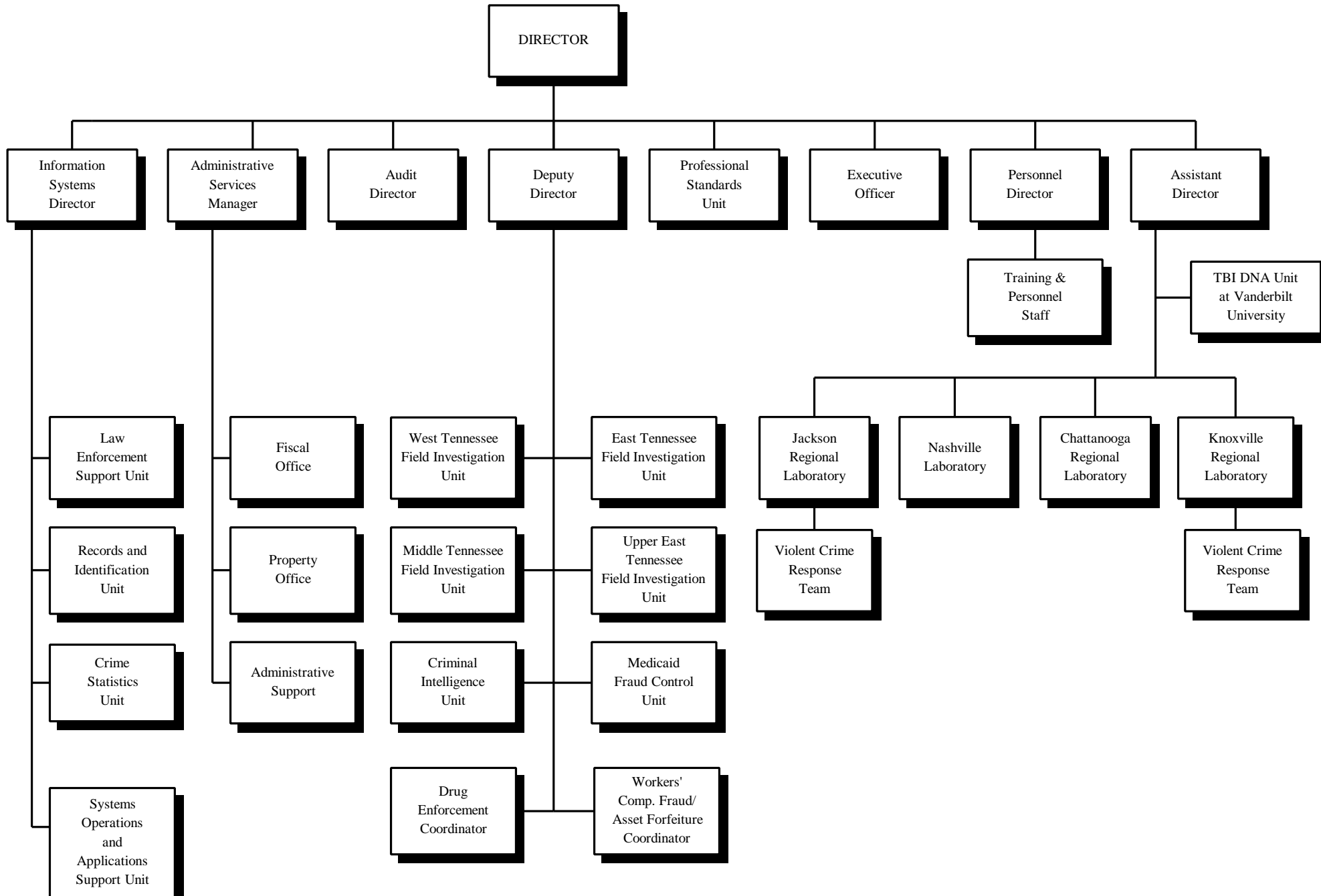
### **CELLULAR PHONES**

The objectives of our review of the controls and procedures over cellular phones in the Tennessee Bureau of Investigation were to determine whether

- the bureau's cellular phone policy is in accordance with the Department of Finance and Administration policies and procedures,
- all cellular phones are deemed necessary for the operation of the department,

# TENNESSEE BUREAU OF INVESTIGATION

## ORGANIZATION CHART



- cellular phone usage is in compliance with established policies and procedures and is adequately monitored, and
- department records are reconciled monthly with Department of Finance and Administration records.

We interviewed key TBI personnel to gain an understanding of procedures and controls over cellular phone usage, review and payment of cellular phone charges, and reconciliations. We also reviewed supporting documentation for these procedures and controls. We had no findings related to cellular phones.

## **CONFIDENTIAL BANK ACCOUNT**

The objectives of our review of the confidential bank account controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- the amount of cash is stated properly and under the bureau's control,
- approval for the fund has been obtained from appropriate authorities,
- expenditures from the fund are in compliance with established policies and procedures and are sufficiently documented,
- bank reconciliations are properly prepared and approved, and
- confiscated funds are appropriately accounted for.

We interviewed key TBI personnel to gain an understanding of procedures and controls over the expense, transfer, deposit, and reconciliation of confidential funds and the handling of confiscated funds. We reviewed supporting documentation for these controls and procedures. A sample of expenditures made with confidential funds was tested to determine whether established policies and procedures were followed. In addition, we tested a sample of requests for reimbursement of the confidential bank account. We had no findings related to the confidential bank account.

## **EQUIPMENT**

The objectives of our review of the equipment controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- property and equipment on the property inventory listing represents a complete and valid listing of the capitalized cost of assets purchased and physically on hand, and

- all sold, abandoned, damaged, or obsolete fixed assets have been removed from the accounts, and
- property and equipment is adequately safeguarded.

We interviewed key TBI personnel to gain an understanding of the procedures and controls for safeguarding and accounting for equipment. We reviewed supporting documentation for these controls and procedures. In addition, we tested samples of equipment items to determine if the actual items agreed by description, tag number, serial number, and location with the equipment listing. We had no findings related to equipment; however, a minor weakness came to our attention which has been reported to management in a separate letter.

## **PAYROLL AND PERSONNEL**

The objectives of our review of the payroll and personnel controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- payroll (wages, salaries, and benefits) disbursements are made only for work authorized and performed, and
- leave slips are properly approved and signed by the employee.

We interviewed key TBI personnel to gain an understanding of the procedures and controls over leave slip and time sheet approval. We reviewed supporting documentation for these controls and procedures. In addition, a sample of personnel files was tested for proper approval of salary, leave slips, and time sheets. We had no findings related to payroll and personnel; however, a minor weakness came to our attention which has been reported to management in a separate letter.

## **DEFERRED REVENUE**

The objective of our review of the deferred revenue controls and procedures in the Tennessee Bureau of Investigation was to determine whether the deferred revenue in the asset forfeiture account has been properly handled and accounted for.

We interviewed key TBI personnel to gain an understanding of the procedures and controls over deposits, transfers, and reconciliation of funds in the asset forfeiture account. We reviewed and tested supporting documentation for these controls and procedures. We had no findings related to deferred revenue.

## **ACCOUNTS RECEIVABLE**

The objectives of our review of the accounts receivable controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- revenue amounts uncollected at the end of the fiscal period presented as receivables are valid, and
- receivables are stated at net realizable amount.

We interviewed key TBI personnel to gain an understanding of the procedures and controls over accounts receivable. We reviewed and tested supporting documentation for these controls and procedures. We had no findings related to accounts receivable; however, one minor weakness came to our attention which has been reported to management in a separate letter.

## **INFORMATION SYSTEMS**

The objectives of our review of the information systems controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- Information System Management organization provides a clear assignment of responsibilities and segregation of duties,
- computer resources are planned, managed, and utilized effectively, and
- an adequate business recovery plan has been implemented.

We interviewed key TBI personnel to gain an understanding of the procedures and controls over information systems. We reviewed and tested supporting documentation for these controls and procedures. We had no findings related to information systems; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.

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## **FINANCIAL INTEGRITY ACT**

The Financial Integrity Act of 1983 requires each executive agency to annually evaluate its systems of internal accounting and administrative control and report the results of its evaluation to the Commissioner of Finance and Administration and the Comptroller of the Treasury by December 31 of each year.

The objectives of our review of the Tennessee Bureau of Investigation's compliance with the Financial Integrity Act were to determine whether

- the agency's reports were filed in compliance with the Financial Integrity Act of 1983,
- documentation to support the agency's evaluation was properly maintained,
- procedures used in compiling information for the reports were adequate, and
- corrective actions have been implemented for weaknesses identified in the reports.

We interviewed key employees responsible for compiling information for the reports to gain an understanding of the procedures. We also reviewed the supporting documentation for these procedures and the reports submitted to the Comptroller of the Treasury and to the Department of Finance and Administration.

We determined that the Financial Integrity Act reports were submitted on time, and support for the reports was adequate.

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**DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20,  
"RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES"**

Department of Finance and Administration Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting System (STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our testwork focused on whether

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and related revenue and expenditure transactions were coded with the proper grant codes;
- appropriate payroll costs were reallocated to federal programs within 30 days of each month-end using an authorized redistribution method;
- the bureau made drawdowns at least weekly using the applicable STARS reports;
- the bureau negotiated an appropriate indirect cost recovery plan, and indirect costs were included in drawdowns; and
- the bureau utilized the appropriate STARS reports as bases for preparing the Schedules of Federal Financial Assistance and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the bureau's procedures and controls concerning Policy 20. We had no findings related to the TBI's compliance with the Department of Finance and Administration's Policy 20.

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## **PRIOR AUDIT FINDINGS**

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee Bureau of Investigation filed its report with the Department of Audit on April 14, 1998. A follow-up of all prior audit findings was conducted as part of the current audit.

### **RESOLVED AUDIT FINDING**

The current audit disclosed that the Tennessee Bureau of Investigation has corrected the previous audit finding concerning the lack of a disaster recovery plan.

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## **OBSERVATIONS AND COMMENTS**

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### **TITLE VI OF THE CIVIL RIGHTS ACT OF 1964**

*Tennessee Code Annotated*, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. The Tennessee Bureau of Investigation filed its compliance report and implementation plan on June 30, 1998, and June 30, 1997.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor has not designated a new monitoring agency for the Executive Branch.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report, *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

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## **APPENDIX**

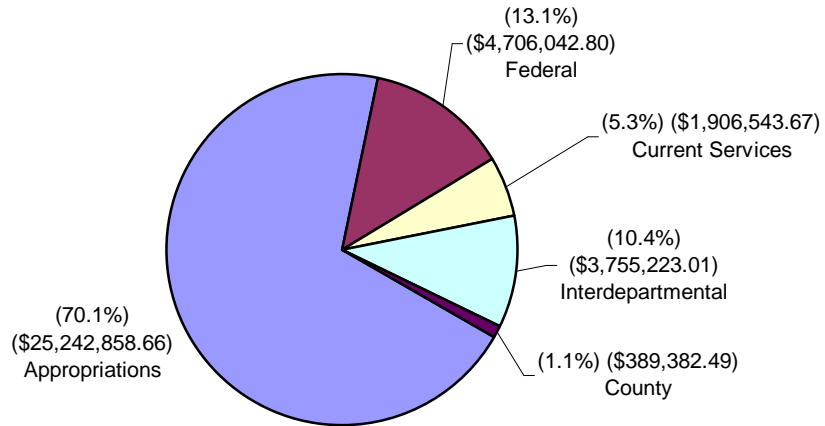
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### **ALLOTMENT CODE**

Tennessee Bureau of Investigation's allotment code is 348.00.

## Tennessee Bureau of Investigation Funding Sources

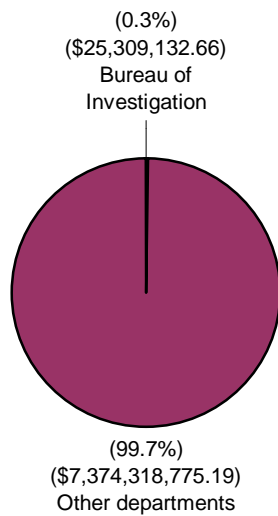
Fiscal Year Ended June 30, 1998 (Unaudited)



Source: Tennessee Bureau of Investigation

## General Fund Expenditures

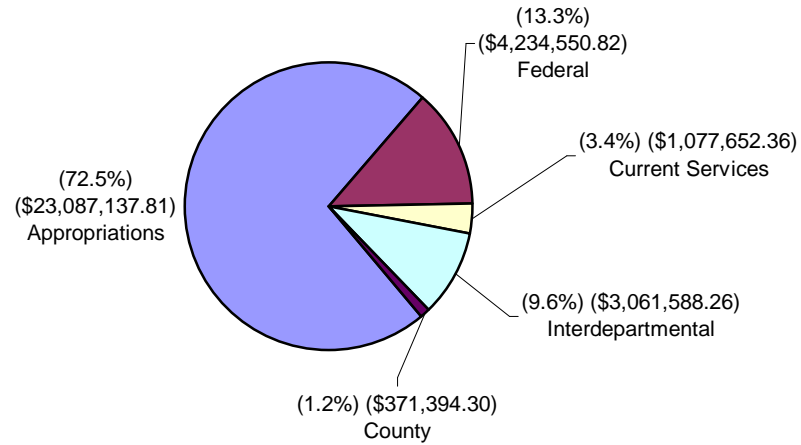
Fiscal Year Ended June 30, 1998 (Unaudited)



Source: Tennessee Bureau of Investigation

## Tennessee Bureau of Investigation Funding Sources

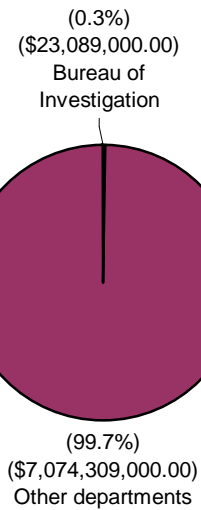
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Tennessee Bureau of Investigation

## General Fund Expenditures

Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Tennessee Bureau of Investigation